

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Express Mail & Priority Mail  
Contract 11 (MC2013-1)  
Negotiated Service Agreement

Docket No. CP2013-1

PUBLIC REPRESENTATIVE COMMENTS  
(February 21, 2013)

I. BACKGROUND

In response to Order No. 1659, the Public Representative hereby comments on the proposal of United States Postal Service (USPS or Postal Service) to amend the existing Express Mail & Priority Mail Contract 11 subject to this docket.<sup>1</sup> It proposes to alter the time periods of the quarters in which the contract terms will operate. The Postal Service maintains that the proposed amendment “will not affect the cost coverage of Express Mail & Priority Mail Contract 11.”<sup>2</sup>

II. COMMENTS

The Public Representative has examined the original terms of the contract, supporting materials, and does not agree with the Postal Service that the amendment will not affect the expected cost coverage from this Competitive Contract. First, the

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<sup>1</sup> Notice of United States Postal Service of Amendment to Express Mail & Priority Mail Contract 11, With Portions Filed Under Seal, February 13, 2013 (Notice).

<sup>2</sup> Id., at 1.

prices for the first year in the original contract were discounted from 2012 prices. If the contract had been submitted now, the discounted prices would have been based upon higher, 2013, prices. In addition, the original contract calls for a price increase on or about July 1, 2013. If this contract were not amended, the discounted prices would increase by a known percentage amount, based on the percentage price increases from R2013-1. With the changed contract, the price increases will occur 3 months later, but more importantly, they will be based on the average percentage increase of the relevant products in next year's rate case.

It is possible the partner found the average increase of 2013 prices to be too high. With next year's price changes nearly a year away, the partner is able to use the prices discounted off of 2012 prices longer than would have been the case if the contract was not amended. Moreover, the Postal Service now has an incentive to modify the average price increase for the relevant products to the satisfaction of this contract partner.

The estimated cost coverage, and hence contribution towards the recovery of the Postal Service's institutional costs, for both products was originally estimated to be greater than the percentage required for competitive products. Nevertheless, both of the negative possibilities discussed in the previous paragraph will most probably reduce cost coverage during the life of the contract. The Public Representative believes it is probable the cost coverage of both products will still be sufficient, but it is more of an open question now than was the case with the original contract dates. The Public Representative most definitely does not agree with the Postal Service's assertion that amended dates "will not affect the cost coverage of Express Mail & Priority Mail Contract 11. Therefore, the supporting financial documentation and financial certification initially provided in this docket remain applicable."<sup>3</sup>

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<sup>3</sup> Id., at 1.

### III. CONCLUSION

Because cost coverage of both products will certainly be altered by the new contract dates, the Postal Service has not supplied the information necessary for the Public Representative or the Commission to determine with a reasonable degree of certainty that cost coverages will be sufficient. The Commission should request the Postal Service to provide new discounted prices, based upon 2013 prices, and update its cost coverage analysis to properly affect the new, first year prices, and account for the three month delay before subsequent price increases are applied to the contract.

Respectfully submitted,

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Public Representative for  
Docket Nos. MC2013-1\_CP2013-1